

Eyeopener

Unemployment still very low in February

Fed chairman speech today, MPC meeting begins
 Unemployment remained at 5.5% in February
 Eurozone retail sales worse than expected, German industrial orders showed growth
 Weaker dollar, stronger zloty and Polish debt

Today on the agenda there is the first of two speeches by Fed chief Jerome Powell in the US Congress. The German data on orders received by industry in January, released this morning, showed a clear rebound.

Registered unemployment rate stood at 5.5% in February according to estimates by the Ministry of Family and Social Policy, which is in line with our calculations and market expectations, and does not signal any significant change in labour market conditions. The 8.5k m/m increase in the number of the unemployed in February is more than the average for this month in previous years, but much less than the changes seen from 2009 to 2013.

Finance Minister Magdalena Rzeczkowska gave an estimate that at least 15 million individuals will receive **PIT refunds** this year for a total of PLN 17.5 billion. This means an additional injection of around PLN 7 billion into households (compared to last year), which corresponds to 1.5% of the value of private consumption in the current quarter and 0.4% of the whole year's private consumption (based on our forecast for 2023). This is one of the factors supporting private consumption this year, although by far not the most important one - for example, the valorisation of social benefits will increase household income by more than PLN 40 billion.

Prime Minister Mateusz Morawiecki has announced work on a bill abolishing funds created to combat Covid-19, the energy crisis and for additional defense needs, and incorporating the tasks carried out on the back of these funds into central budget statistics. The result is expected to be improved transparency of public finances.

Central budget closed 2022 with a deficit of PLN12.4bn. Budget revenues amounted to PLN505.0bn (up 2.0% y/y) and expenditure to PLN517.4bn (down 0.7% y/y). Non-tax revenue fell by 39.2% y/y (this is a consequence of, inter alia, a drop in the price of CO2 emission permits), while tax revenue increased by 7.7% y/y, with CIT up by 33.9% y/y, VAT down by 6.8% y/y and PIT down by 7.5% y/y. In the cases of VAT and PIT, the effects of tax cuts are visible; without them, we estimate that VAT would have increased by more than 20% y/y and PIT by around 5% y/y. On the expenditure side, the strong increase in debt service costs (26.0%) draws attention. In December alone, budget expenditure amounted to PLN71.1bn, significantly less than in 2021 (PLN120.2bn) and 2020 (PLN109.2bn), when the government followed a strategy of advancing some spending items from the following year. We expect the general government deficit to be around 3% of GDP in 2022 (this was also the figure announced yesterday by Prime Minister Morawiecki), while in 2023 it will exceed 5% of GDP.

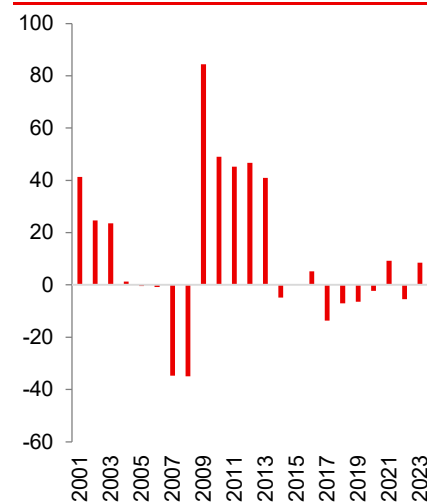
EURUSD moved from just above 1.06 closer to 1.07. Support for the single currency came from a hawkish statement by **ECB member Robert Holzmann**, who said that interest rates should be raised four more times by 50 bps due to the persistence of inflation. In his view, if the ECB wants to bring inflation down to the 2% target then it needs to apply an appropriately restrictive policy.

EURPLN went down from above 4.70 to below 4.69. The zloty strengthened after the Prime Minister's declaration on increasing transparency in public finances. The Polish currency was also helped by the weakening of the dollar on European markets. **EURCZK** rose to 23.55 from around 23.44. Real wages in the Czech Republic fell by 6.7% y/y, slightly less than the market consensus (-7.2%). The data dismissed the risk of possible CNB rate hikes, which weakened the koruna. **EURHUF** oscillated around 377. January retail sales in Hungary fell more sharply than previously (-4.5% y/y vs. -4.1%). Although the data point to a further slowdown in the economy it also bodes well for a reduction in inflationary pressures, which have been the main headache for the Hungarian economy in recent quarters.

Debt market: Domestic yield curve fell by around 7 bp on average, undergoing a marked flattening. Yields were hurt by the weak reading of the Sentix index of investor sentiment in the euro area for March - it fell more sharply than the market had expected (-11.1 vs. expectations of -6.3 and -8 in February). Yields in the core markets tried to decrease in the first part of the day, but a hawkish statement by ECB member Robert Holzmann helped them end the day higher.

The government informed about a transfer of treasury bonds worth PLN1.2bn to the state-owned railways PKP. This is the first such operation in 2023. In December, **assimilations** (transfers of bonds to public institutions) totalled PLN6.6bn and in March 2022 PLN8.1bn. The use of government support by these institutions requires monetising these bonds and thus increasing their supply on the secondary market, but the way they are introduced may have less of an impact on investor attitudes than increasing the size of standard bond auctions.

Change in the number of the registered unemployed in Februaries, m/m, in thousand persons



Source: Ministry of Family and Social Policy, GUS, Santander

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FX market

Today's opening

EURPLN	4,6827	CZKPLN	0,1983
USDPLN	4,3810	HUFPLN*	1,2327
EURUSD	1,0689	RUBPLN	0,0581
CHFPLN	4,7129	NOKPLN	0,4206
GBPPLN	5,2828	DKKPLN	0,6291
USDCNY	6,9274	SEKPLN	0,4200

*for 100HUF

Last session in the FX market 06.03.2023

	min	max	open	close	fixing
EURPLN	4,6871	4,7105	4,7037	4,6895	4,7073
USDPLN	4,3825	4,4330	4,4191	4,3846	4,4289
EURUSD	1,0620	1,0693	1,0647	1,0692	-

Interest rate market 06.03.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,40	2
DS0727 (5Y)	6,42	-10
DS0432 (10Y)	6,42	-12

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,09	-3	5,57	3	3,78	7
2L	6,65	-10	5,19	0	3,89	6
3L	6,22	-10	4,76	-2	3,70	4
4L	6,02	-11	4,49	-2	3,56	4
5L	5,93	-11	4,32	-1	3,48	4
8L	5,85	-11	4,05	1	3,32	2
10L	5,87	-12	3,96	0	3,29	1

WIBOR rates

Term	%	Change (bps)
O/N	6,56	2
T/N	6,70	-4
SW	6,83	0
2W	6,84	-1
1M	6,88	-1
3M	6,94	-1
6M	7,00	0
1Y	7,10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,95	-6
3x6	7,00	-1
6x9	7,00	-4
9x12	6,70	-9
3x9	7,03	0
6x12	7,02	-8

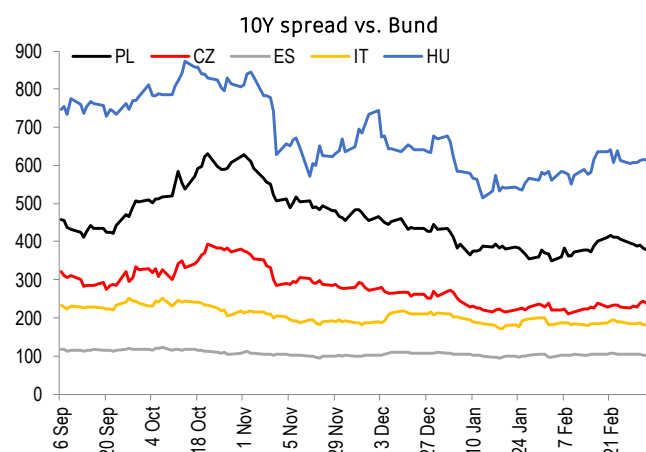
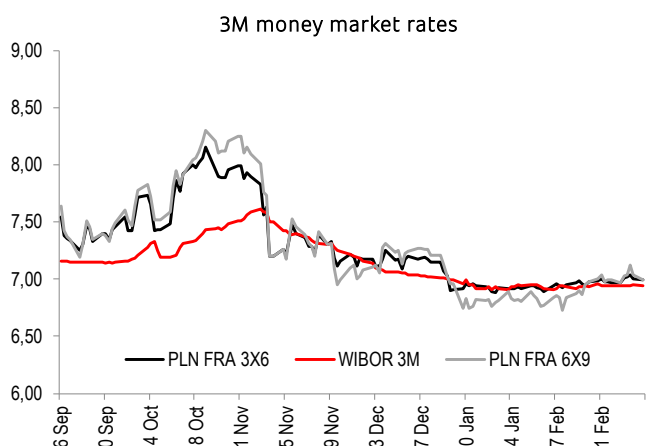
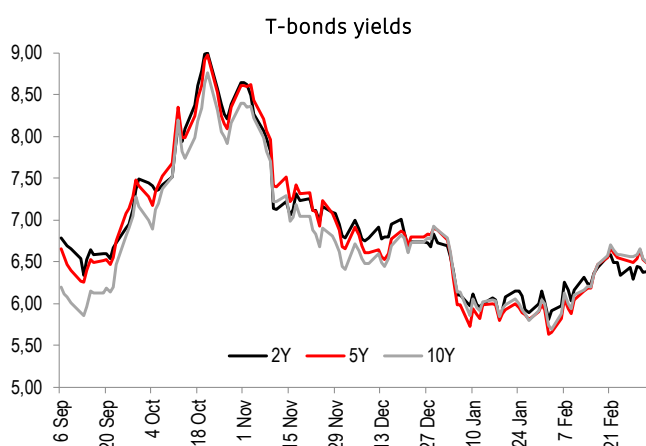
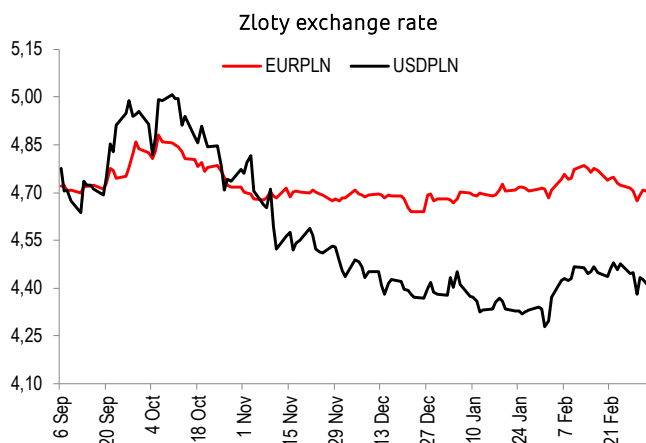
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	370	-13
France	10	0	50	1
Hungary	150	-10	613	-1
Spain	43	0	102	0
Italy	38	0	182	0
Portugal	28	0	89	1
Ireland	18	0	53	3
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (3 March)								
02:45	CN	Caixin China PMI Services	Feb	pts	54.5	-	55.0	52.9
08:00	DE	Exports SA	Jan	% m/m	1.5	-	2.1	-5.9
09:00	CZ	GDP SA	4Q	% y/y	0.4	-	0.2	1.5
09:55	DE	Markit Germany Services PMI	Feb	pts	51.3	-	50.9	50.7
10:00	EZ	Eurozone Services PMI	Feb	pts	53.0	-	52.7	50.8
16:00	US	ISM services	Feb	pts	54.5	-	55.1	55.2
MONDAY (6 March)								
11:00	EZ	Retail Sales	Jan	% m/m	0.8	-	0.3	-1.7
16:00	US	Durable Goods Orders	Jan	% m/m	-4.5	-	-4.5	5.1
16:00	US	Factory Orders	Jan	% m/m	-1.8	-	-1.6	1.7
TUESDAY (7 March)								
08:00	DE	Factory Orders	Jan	% m/m	-0.7	-	1.0	3.2
08:30	HU	Industrial Production SA	Jan	% y/y	4.3	-	-0.2	5.7
WEDNESDAY (8 March)								
	PL	MPC decision		%	6.75	6.75	-	6.75
08:00	DE	Industrial Production SA	Jan	% m/m	1.5	-	-	-3.1
08:00	DE	Retail Sales	Jan	% m/m	2.2	-	-	-4.9
08:30	HU	CPI	Feb	% y/y	25.4	-	-	25.7
11:00	EZ	GDP SA	4Q	% y/y	1.9	-	-	2.4
14:15	US	ADP report	Feb	k	200.0	-	-	106.0
THURSDAY (9 March)								
14:30	US	Initial Jobless Claims		k	200.0	-	-	190.0
15:00	PL	NBP President Adam Glapiński's press conference						
FRIDAY (10 March)								
08:00	DE	HICP	Feb	% m/m	1.0	-	-	0.5
09:00	CZ	Industrial Production	Jan	% y/y	3.4	-	-	1.3
09:00	CZ	CPI	Feb	% y/y	16.6	-	-	17.5
14:30	US	Change in Nonfarm Payrolls	Feb	k	200.0	-	-	517.0
14:30	US	Unemployment Rate	Feb	%	3.4	-	-	3.4

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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